

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM
Meeting Date: August 27, 2008
Executive Summary
Request for Approval of Letter Of Credit Bank and Approval of Supplemental
Indentures

Prepared by: *Michael Smith*

Applicant: Republic Services, Inc.	Remarketing Amount: \$60,000,000
Project: Various Cities and Counties	Application Nos.: 00728 & 00776
Location: throughout California	Bond Series: 2003 & 2006

Summary of Request: Republic Services, Inc. (“Republic”) requests approval of the Authority to deliver two Letters of Credit from Bank of America, N.A. **and approve Supplemental Indentures** for bonds issued by the Authority in 2003 and 2006.

Borrower: Republic Services Inc. is a provider of environmental services including solid waste collection, transfer, disposal and recycling services. Republic’s various operating units provide solid waste services for commercial, industrial, municipal and residential customers. Republic is a large business with approximately 13,800 employees currently serving 80 markets in 22 states. Republic is publicly traded on the NYSE under the symbol RSG. Republic was organized in Delaware on July 1, 1998.

Legal Questionnaire: None required.

Prior Actions and Financings: The Authority previously issued \$30,000,000 aggregate principal amount of Solid Waste Disposal Revenue Bonds (Republic Services, Inc. Project) Series 2003 and \$30,000,000 aggregate principal amount of Variable Rate Demand Solid Waste Disposal Revenue Bonds (Republic Services, Inc. Project) Series 2006 (collectively, the “Bonds”).

Proceeds from the sales of the Bonds were loaned to Republic pursuant to the terms and provisions of separate Loan Agreements, dated as of December 1, 2003 and March 1, 2006, respectively, (the “Loan Agreements”). The Bonds were issued with no planned third-party credit or liquidity facility supporting the purchase or payment of principal or interest on the Bonds.

The Bonds are currently in a Restricted Period as defined in the Indentures, Section 2.06 (2). “At any time the Borrower may request that the Authority terminate the Restricted Period. The Authority may grant such approval in its discretion, but it agrees that it will not unreasonably withhold such approval if the Borrower provides evidence that the Bonds will be rated at least “A3/A-“ by Moody’s, S&P or Fitch.”

Current Request: Due to current market conditions, Republic has elected to deliver, pursuant to Section 5.7 of the Loan Agreements, an irrevocable direct pay letter of credit

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for each series of Bonds (the “Letters of Credit”) to be issued by Bank of America, N.A. (the “Bank”). The Bonds will be rated at not less than “A-/A” by Standard and Poor’s. This is not a request for new or additional financing or for an extension of previously approved financing requests; rather, this is a request to approve Bank of America, N.A. as the issuer of Letters of Credit for the previously issued Bonds. ~~The Borrower-Republic~~ also-requests that the Authority terminate the Restricted Period. Republic also requests the Authority enter into a Second Supplemental Indenture for the Series 2003 bonds and First Supplemental Indenture for the Series 2006 bonds to facilitate the delivery of the Tax Opinion.

Discussion: The current request was received on July 25, 2008.

The Loan Agreements provide for the option of delivering a credit or liquidity facility subsequent to the issuance of the Bonds. Specifically, section 5.7(a) states:

“At the time of initial issuance and delivery of the Bonds, no Letter of Credit shall be required to be in effect. Thereafter, the Borrower may at any time if no Letter of Credit is in effect deliver a Letter of Credit effective at the start date of the succeeding Interest Rate Period, or at another time consistent with the Indenture, meeting the following conditions: (1) of the respective Loan Agreements state that a Letter of Credit must be “issued by a commercial bank or other financial institution, which must be approved by the Authority; and (2) the provisions of the Letter of Credit must be acceptable to the Trustee and meet the requirements of this Section 5.7; and (3) the term of the Letter of Credit must extend at least one year or to at least the first date on which the Bonds are subject to redemption, pursuant to the Indenture whichever is longer; and (4) the Letter of Credit must be in an amount sufficient to pay principal of and interest on the Bonds upon tender thereof. The Borrower shall also cause to be furnished to the Trustee and the Authority (i) an Approving Opinion; (ii) an opinion of counsel to the Bank stating to the effect that the Letter of Credit is enforceable in accordance with its terms, except to the extent that enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors’ rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable rights; and (iii) written evidence from the Rating Agency then rating the Bonds that the long term rating in effect on the Bonds will be maintained (but in no event shall it be less than a long-term rating from S&P of “A-“ (or equivalent)) and that the Bonds will have a short-term rating in the highest short-term category (without regard to “+” or “-_”s).”

Bond Counsel, Chapman and Cutler LLP, is prepared to deliver the required approving opinion that the delivery of the Letter of Credit will not adversely affect the exclusion of interest on the Bonds. Bank Counsel, McGuire Woods LLP, is prepared to deliver the required opinion stating to the effect that the Letter of Credit is enforceable in accordance with its terms. The rating agency, Standard and Poor’s, will be supplying written evidence that the bond ratings will be maintained (not less than “A-/A”).

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The Indentures for both Series of Bonds (collectively “Bonds Indentures”) state in Section 11.14 that if an opinion is required to be delivered to the effect that an action will not adversely affect the Tax-Exempt status of the Bonds it shall be given by Orrick, Herrington & Sutcliffe LLP. Republic requests to remove this requirement so that any bond counsel may write the adverse affect opinion.

Republic is required to comply with such conditions precedent to the delivery of the Letters of Credit as are set forth in the Loan Agreements. No waiver of such requirement is proposed.

The Resolutions for both actions are attached below.

Financing Team:

Remarketing Agent: Banc of America Securities, LLC
Bond Counsel: Chapman and Cutler LLP
Letter of Credit Bank: Bank of America, N.A.
Trustee for the Bonds: The Bank of New York Mellon Trust Company, N.A.

Staff Recommendation: Subject to Staff receipt and approval of final documents for the transaction, Staff recommends approval of Republic Services, Inc.’s request to deliver two Letters of Credit from Bank of America, N.A. and approval of Supplemental Indentures for Bonds issued in 2003 & 2006.

**RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO
APPROVAL OF BANK AS ISSUER OF LETTER OF CREDIT AND
APPROVING A SECOND SUPPLEMENTAL INDENTURE**

August 27, 2008

WHEREAS, the California Pollution Control Financing Authority (“Authority”), has previously issued \$30,000,000 aggregate principal amount of its Solid Waste Disposal Revenue Bonds (Republic Services, Inc. Project) Series 2003 (the “Bonds”) pursuant to an Indenture, dated as of December 1, 2003 ~~(as supplemented by the~~ First Supplemental Indenture dated as of October 25, 2005 (collectively, the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., successor to BNY Western Trust Company, as trustee (the “Trustee”), to provide financial assistance for the purpose of financing and refinancing various landfill development and waste collection equipment and other solid waste disposal facilities in various locations throughout California (the “Project”); and

WHEREAS, the proceeds received from the sale of the Bonds were loaned to Republic Services, Inc. (“Republic Services”) pursuant to the terms and provisions of a Loan Agreement, dated as of December 1, 2003 (the “Loan Agreement” and together with the Indenture, the “Bond Documents”), to finance the Project as further described in the Loan Agreement; and

WHEREAS, on December 1, 2005, the Bonds were remarketed and converted from a Term Interest Rate to a Weekly Interest Rate; and

WHEREAS, the Bonds were issued with no planned third-party credit or liquidity facility supporting the purchase or payment of principal or interest on the Bonds; and

WHEREAS, the Bond Documents specifically provide for the option of delivering such credit or liquidity facility subsequent to the issuance of the Bonds subject to the conditions precedent set forth therein; and

WHEREAS, due to current market conditions, Republic Services has elected to deliver, pursuant to Section 5.7 of the Loan Agreement, an irrevocable direct pay letter of credit (the “Letter of Credit”) to be issued by Bank of America, N.A. (the “Bank”); and

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WHEREAS, Section 5.7(a)(1) of the Loan Agreement states that a Letter of Credit must be “issued by a commercial bank or other financial institution, which must be approved by the Authority”; and

WHEREAS, the Bank is a commercial bank, which must be approved by the Authority prior to issuing the Letter of Credit; and

WHEREAS, the Loan Agreement requires, among other conditions precedent, delivery of an opinion of counsel that the delivery of the Letter of Credit will not adversely affect the exclusion of interest on the Bonds from gross income for federal tax purposes (the “Tax Opinion”); and

WHEREAS, Banc of America Securities LLC, as Remarketing Agent, will remarket the Bonds after the delivery of the Letter of Credit; and

WHEREAS, Section 2.06 of the Indenture places certain restrictions on the transfer of the Bonds during a “*Restricted Period*,” i.e. from the date of issuance of the Bonds until such time, if any, that the Authority agrees to terminate ~~such~~the Restricted Period; and

WHEREAS, Section 2.06(b)(2) of the Indenture permits Republic Services to request that the Authority terminate the Restricted Period, which approval the Authority may grant in its discretion, but which it has agreed in the Indenture not to withhold unreasonably if the Borrower provides evidence that the Bonds will be rated at least “A3/A-” by Moody’s, S&P or Fitch; and

WHEREAS, it is expected that the rating on the Bonds, after delivery of the Letter of Credit will be at least “AA+Aaa(Stable)/AA+A-1+(Negative)” by S&P and therefore Republic Services requests that the Authority approve the termination of such Restricted Period; and

WHEREAS, Republic Services has requested that the Authority enter into a Second Supplemental Indenture, amending the Indenture to facilitate the delivery of the Tax Opinion;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. The Authority further finds and determines that it is consistent with the

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Indenture if the effective date of the Letter of Credit is either the start of an Interest Rate Period or an Interest Payment Date, as such terms are defined in the Indenture.

Section 2. As requested by Republic Services, the Authority hereby approves Bank of America, N.A. as issuer of an irrevocable direct pay letter of credit under Section 5.7(a)(1) of the Loan Agreement.

Section 3. As requested by Republic Services, the Authority hereby approves the termination of the Restricted Period with respect to the Bonds on the effective date of the Letter of Credit. ~~Except as specifically set forth in Section 1 and Section 2 of this Resolution, no other waiver of any provision of the Loan Agreement, the Indenture or any document related to the Bonds is intended or implied by this Resolution.~~

Section 4. ~~As requested by Republic Services, the proposed form of the Second Supplemental Indenture, between the Authority and the Trustee (the “Second Supplemental Indenture”), as filed with the Authority prior to this meeting, is hereby approved, subject to (a) the written consent of the owners of at least 66-2/3% in aggregate principal amount of the Bonds and (b) the receipt of an opinion of counsel to the effect that the Second Supplemental Indenture is permitted under the terms of the Indenture. The Chairman (or any of his deputies) and the Executive Director of the Authority are hereby authorized and directed, for and on behalf and in the name of the Authority to execute, acknowledge and deliver to the Trustee, the Second Supplemental Indenture in substantially the form submitted to the Authority, with such deletions, insertions and changes therein as the officer executing the same, with the advice of the Attorney General or any outside legal counsel engaged by the Authority as the Authority shall select, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.~~

~~Section 5. No waiver of any provision of the Loan Agreement, the Indenture or any document related to the Bonds is intended or implied by this Resolution.~~

~~Section 6. The Chairman (or any of his deputies) and the Executive Director or Deputy Executive Director~~ of the Authority is hereby authorized and directed to do any and all ministerial acts and to enter into any agreements, including (without limitation) to execute and deliver any and all certificates, which, with the advice of the Attorney General, they may deem necessary or advisable in connection with the execution and

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delivery of the Second Supplemental Indenture, the delivery of the Letter of Credit and the remarketing of the Bonds and in order to effectuate the purpose of this Resolution.

Section 75. This Resolution shall take effect immediately upon its adoption and remain in full force and effect thereafter.

**RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
RELATING TO
APPROVAL OF BANK AS ISSUER OF LETTER OF CREDIT AND
APPROVING A FIRST SUPPLEMENTAL INDENTURE**

August 27, 2008

WHEREAS, the California Pollution Control Financing Authority (“Authority”), has previously issued \$30,000,000 aggregate principal amount of its Variable Rate Demand Solid Waste Disposal Revenue Bonds (Republic Services, Inc. Project) Series 2006 (the “Bonds”) pursuant to an Indenture, dated as of March 1, 2006 (the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), to provide financial assistance for the purpose of financing or reimbursing the costs of various landfill development and waste collection equipment and other solid waste disposal facilities in various locations throughout California (the “Project”); and

WHEREAS, the proceeds received from the sale of the Bonds were loaned to Republic Services, Inc. (“Republic Services”) pursuant to the terms and provisions of a Loan Agreement, dated as of March 1, 2006 (the “Loan Agreement” and together with the Indenture, the “Bond Documents”), to finance the Project as further described in the Loan Agreement; and

WHEREAS, the Bonds were issued with no planned third-party credit or liquidity facility supporting the purchase or payment of principal or interest on the Bonds; and

WHEREAS, the Bond Documents specifically provide for the option of delivering such credit or liquidity facility subsequent to the issuance of the Bonds subject to the conditions precedent set forth therein; and

WHEREAS, due to current market conditions, Republic Services has elected to deliver, pursuant to Section 5.7 of the Loan Agreement, an irrevocable direct pay letter of credit (the “Letter of Credit”) to be issued by Bank of America, N.A. (the “Bank”); and

WHEREAS, Section 5.7(a)(1) of the Loan Agreement states that a Letter of Credit must be “issued by a commercial bank or other financial institution, which must be approved by the Authority”; and

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WHEREAS, the Bank is a commercial bank, which must be approved by the Authority prior to issuing the Letter of Credit; and

WHEREAS, the Loan Agreement requires, among other conditions precedent, delivery of an opinion of counsel that the delivery of the Letter of Credit will not adversely affect the exclusion of interest on the Bonds from gross income for federal tax purposes (the “Tax Opinion”); and

WHEREAS, Banc of America Securities LLC, as Remarketing Agent, will remarket the Bonds after the delivery of the Letter of Credit; and

WHEREAS, Section 2.06 of the Indenture places certain restrictions on the transfer of the Bonds during a “*Restricted Period*,” i.e. from the date of issuance of the Bonds until such time, if any, that the Authority agrees to terminate such Restricted Period; and

WHEREAS, Section 2.06(b)(2) of the Indenture permits Republic Services to request that the Authority terminate the Restricted Period, which approval the Authority may grant in its discretion, but which it has agreed in the Indenture not to withhold unreasonably if the Borrower provides evidence that the Bonds will be rated at least “A3/A-” by Moody’s, S&P or Fitch; and

WHEREAS, it is expected that the rating on the Bonds, after delivery of the Letter of Credit will be at least “Aaa(Stable)/A+/A-1+AA+(Negative)” by S&P and therefore Republic Services requests that the Authority approve the termination of the Restricted Period; and

WHEREAS, Republic Services has requested that the Authority enter into a First Supplemental Indenture, amending the Indenture to facilitate the delivery of the Tax Opinion.

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority, as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct. The Authority further finds and determines that it is consistent with the Indenture if the effective date of the Letter of Credit is either the start of an Interest Rate Period or an Interest Payment Date, as such terms are defined in the Indenture.

Section 2. As requested by Republic Services, the Authority hereby approves Bank of America, N.A. as issuer of an irrevocable direct pay letter of credit under Section 5.7(a)(1) of the Loan Agreement.

Section 3. As requested by Republic Services, the Authority hereby approves the termination of the Restricted Period with respect to the Bonds on the effective date of the Letter of Credit. ~~Except as specifically set forth in Section 1 and Section 2 of this Resolution, no other waiver of any provision of the Loan Agreement, the Indenture or any document related to the Bonds is intended or implied by this Resolution.~~

Section 4. ~~As requested by Republic Services, the proposed form of First Supplemental Indenture, by and between the Authority and the Trustee (the “Supplemental Indenture”), as filed with the Authority prior to this meeting, is hereby approved, subject to (a) the written consent of the owners of at least 66-2/3% in aggregate principal amount of the Bonds and (b) receipt by the Authority of an opinion of counsel to the effect that the Supplemental Indenture is permitted under the terms of the Indenture. The Chairman (or any of his deputies) and the Executive Director of the Authority are hereby authorized and directed, for and on behalf and in the name of the Authority to execute, acknowledge and deliver to the Authority, with such deletions, insertions and changes therein as the officer executing the same, with the advice of the Attorney General or any outside legal counsel engaged by the Authority as the Authority shall select, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.~~

~~Section 5. No waiver of any provision of the Loan Agreement, the Indenture or any document related to the Bonds is intended or implied by this Resolution.~~

~~Section 6. The Chairman (or any of his Deputies) and the Executive Director or Deputy Executive Director~~ of the Authority is hereby authorized and directed to do any and all ministerial acts and to enter into any agreements, including (without limitation) to execute and deliver any and all certificates, which, with the advice of the Attorney General, they may deem necessary or advisable in connection with the execution and delivery of the Supplemental Indenture, the delivery of the Letter of Credit and the remarketing of the Bonds and in order to effectuate the purpose of this Resolution.

Section 75. This Resolution shall take effect immediately upon its adoption and remain in full force and effect thereafter.